

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 SP-02 USIA-06 AID-05

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3323

INFO USLO PEKING

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY RANGOON

AMEMBASSY ROME

CONCIPAC

COMUSTEDC

AMEMBASSY BANGKOK

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CINCPAC FOR POLAD

E.O. 11652: NA

TAGS: CERP, CH, XX

SUBJECT: PEOPLE'S REPUBLIC OF CHINA-ECONOMIC REVIEW 1

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1. SUMMARY OF ACTIVITIES DURING THE REPORTING PERIOD

USING THE NATIONAL TACHAI CONFERENCE ON AGRICULTURE AS A FORUM, CHINA'S NEW LEADERSHIP HAS ISSUED THE CALL FOR GETTING ON WITH THE BUSINESS OF ECONOMIC CONSTRUCTION AND UNDERLINED ITS COMMITMENT TO DEVELOPING AGRICULTURE. THE IMPRINT OF THE HUA LEADERSHIP ON ECONOMIC POLICY BEGAN TO BE EVIDENT IN A SERIES OF PEOPLE'S DAILY EDITORIALS AND COMMENTARIES AND CONFERENCE LEADERSHIP STATEMENTS, INCLUDING MAJOR ADDRESSES BY CCP CHAIRMAN HUA KUO-FENG AND POLITBURO MEMBER CHEN YUNG-KUEI. BOTH LEADERS SPOKE FRANKLY, ADMITTING THAT THE ECONOMY DID NOT PERFORM UP TO STANDARD IN 1976 AND THAT AGRICULTURE LAGGED BEHIND STRATEGIC REQUIREMENTS. THEIR PRESCRIPTION FOR THE FUTURE DRAWS HEAVILY UPON WELL ESTABLISHED ECONOMIC POLICIES, BUT CLEARLY DELINEATES A HIGH DEGREE OF CONCERN FOR THE PEOPLE'S WELFARE, SUGGESTING THAT THE NEW LEADERSHIP WOULD BE WILLING TO DEVOTE MORE ATTENTION AND RESOURCES TO IMPROVING LIVING STANDARDS-ALBIET ON THE BASIS OF INCREASED PRODUCTION (ITEM 2 AND 76 HK 14927,14936). AS 1976 DREW TO A CLOSE A NUMBER OF ECONOMIC SECTORS RELEASED CLAIMS ON PERFORMANCE DURING THE YEAR. IN AGRICULTURE, THE GRAIN HARVEST WAS ANNOUNCED AS ACHIEVING A "RECORD LEVEL" ITS 15TH LIMITED OFFICIAL USE

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IN SUCCESSION. A PRELIMINARY ASSESSMENT BY THE CONGEN'S AGOFFICE ESTIMATES AN INCREASE OF 4-6 PERCENT OVER 1975( 76 HK 14866 AND 76 HK 15054). IN INDUSTRY PETROLEUM AND NATURAL GAS WERE REPORTED UP BY 13 PERCENT AND 11 PERCENT RESPECTIVELY OVER 1975 (ITEM 3), ELECTRICITY PRODUCTION SHOWED AN "INCREASE" AND COAL OUTPUT WAS CLAIMED TO HAVE SURPASSED THE ANNUAL TARGET BY 6 PERCENT. OTHERWISE, NATIONAL AND PROVINCIAL REPORTING ON INDUSTRY HAS BEEN SPARSE AND FRAGMENTARY AND GENERALLY LACKING MEANINGFUL STATISTICS, SUPPORTING THE IMPRESSION THAT OVERALL ECONOMIC PERFORMANCE IN 1976 WAS POOR (ITEM 4,5,7. AND HK 00185).

TRADE ACTIVITY SLOWED SOMEWHAT AS THE NUMBER OF BUSINESS VISITORS TO THE PRC DECLINED WITH THE APPROACH OF THE HOLIDAY SEASON (PEKING 29). THE CHINESE COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE FOLLOWED THE LEAD OF OTHER TOP ECONOMIC AGENCIES IN PUBLICLY DENOUNCING THE GANG OF FOUR IN PEOPLE'S DAILY AND

SUPPORTING THE NEW LEADERSHIP'S MODERNIZATION PROGRAM, BUT ALSO PLEDGED CONTINUED ADHERENCE TO TRADITIONAL POLICIES OF OPPOSITION TO JOINT VENTURES, FOREIGN LOANS, AND USE OF FOREIGN CAPITAL TO DEVELOP NATURAL RESOURCES (ITEM 8). A NUMBER OF PRC AID AND TRADE AGREEMENTS WERE SIGNED TOWARD THE END OF THE YEAR, INCLUDING PACTS WITH CAMBODIA, UEMEN, FINLAND AND ONE WITH BANGLADESH IN THE FIRST WEEL OF 1977: HOWEVER, NEW PRC FOREIGN AID COMMITMENTS IN 1976 WERE DOWN FROM 1975 IN TOTAL NUMBER (ITEM 9). LOU

## 2. THE TACHAO CONFERENCE AND ECONOMIC POLICY

CHINA'S SECOND NATIONAL CONFERENCE TO LEARN FROM TACHIA, THE COUNTRY'S AGRICULTURAL MODEL, CLOSED DEC. 27 AFTER PROVIDING THE NEW PEKING LEADERSHIP WITH A HIGH LEVEL FORUM FOR ADDRESSING ECONOMIC POLICY AND IN LIMITED OFFICIAL USE

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PARTICULAR FOR UNDERLINING THE PRIORITY OF AGRICULTURE. IN A SERIES OF PEOPLE'S DAILY COMMENTARIES AND EDITORIALS AND CONFERENCE LEADERSHIP STATEMENTS-LED BY THE MAJOR ADDRESSES OF CCP CHAIRMAN HUA-KUO-FENG AND POLITBURO MEMBER CHEN YUNG-KUEI-THE HUA REGIME'S IMPRINT ON ECONOMIC POLICY WAS CLEARLY EVIDENT.

THE NEW LEADERSHIP'S ECONOMIC PRIORITES SUGGEST A HIGHER DEGREE OF CONCERN FOR IMPROVING THE PEOPLE'S LIVELIHOOD. IN HIS LENGTHY DEC. 25 SPEECH DISCUSSING THE FOUR MAJOR TASKS FOR 1977, CHAIRMAN HUA LISTED AGRICULTURE FIRST FOLLOWED BY LIGHT INDUSTRY, BUT THEN DEPARTED FROM THE ESTABLISHED FORMULATION BY CALLING FOR THE ESTABLISHMENT OF A "SOUND MARKET". THE REST OF HIS DEVELOPMENT LIST WAS IN THE HEAVY INDUSTRY SECTOR- COMMUNICATIONS AND TRANSPORT, ENERGY, PETROLEUM, IRON AND STEEL, AND OTHER RAW MATERIALS. BY INSERTING COMMERCE AHEAD OF HEAVY INDUSTRY IN HIS PRIORITY LIST, HUA SEEMED TO BE SUGGESTING THAT HIS GOVERNMENT WOULD BE WILLING TO DEVOTE MORE ATTENTION AND PERHAPS RESOURCES TO IMPROVING LIVING STANDARDS, ALTHOUGH HE ALSO MADE CLEAR THAT IMPROVEMENT WOULD COME ONLY WITH INCREASED PRODUCTION.

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COMUSTDC

CINCPAC

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BOTH HUA AND CHEN YUNG-KUEI DESCRIBED CHINA'S  
ECONOMIC AND AGRICULTURAL SITUATION WITH UNUSUAL FRANKNESS.  
CHEN ADMITTED THAT THE RATE OF AGRICULTURAL DEVELOPMENT HAD  
FALLEN "MUCH BEHIND" STRATEGIC REQUIREMENTS. HUA KUO-FENG,  
IN DESCRIBING 1976 FRANKLY STATED THAT THE ECONOMY DID NOT  
ACHIEVE THE RESULTS IT SHOULD HAVE. HE CALLED 1977  
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A YEAR OF "PREPARATION" FOR "BIG GROWTH" DURING  
1978-80. PEKING'S POLICY LINES APPEAR TO BE GROUNDED  
IN WELL ESTABLISHED PROGRAMS. IN AGRICULTURE THE TACHAI  
MOVEMENT--BASED ON EXPANDED RURAL CAPITAL CONSTRUCTION AND  
STEPPED UP MECHANIZATION--IS THE GUIDELINE FOR WHAT  
APPEARS TO BE TAKING SHAPE AS A MAJOR EFFORT TO

ACHIEVE HIGH AND STABLE PRODUCTION BY 1980. CONTINUITY WITH PAST POLICIES IS UNDERSCORED BY USE OF HUA'S TACHAI REPORT OF LAST YEAR AS THE BASIS FOR IMPLEMENTING THE TACHAI MOVEMENT. ADDITIONAL IDENTIFICATION WITH THE PAST CAN BE SEEN IN THE RESURRECTION OF MAO'S 1956 SPEECH ON THE "TEN MAJOR RELATIONSHIPS." FOR AGRICULTURE THE "RELATIONSHIPS" MARKED AN INITIAL ATTEMPT TO DIRECT INVESTMENT AWAY FROM THE HEAVY INDUSTRY BIAS OF THE 1ST FIVE-YEAR PLAN TOWARD GREATER ATTENTION TO AGRICULTURE (HK 14927, HK 14936). LOU

3. PRC PETROLEUM AND NATURAL GAS PRODUCTION INCREASES

NCNA ANNOUNCED ON JAN 5 THAT 1976 CRUDE OIL PRODUCTION INCREASED 13 PERCENT OVER 1975 OR 7.6 TIMES THAT OF 1965 AND PREFULFILLED THE 1976 PLAN. THE OUTPUT OF NATURAL GAS INCREASED BY 11 PERCENT OVER 1975 WITH PRODUCTION CAPACITY INCREASING AT "RECORD SPEED." THE REPORT CLAIMED THAT A NUMBER OF HIGH OUTPUT WELLS HAVE BEEN DRILLED AND ANOTHER HIGH YIELD OILFIELD HAS BEEN OPENED. TACHING'S CRUDE PRODUCTION INCREASED 8.7 PERCENT OVER 1975. SHENGLI, YUMEN, SINKIANG AND SZECHWAN WERE ALSO SINGLED OUT FOR THEIR VARIOUS ACHIEVEMENTS. NCNA HAD PREVIOUSLY REPORTED THAT TAKANG HAD REACHED NEAR COMPLETION OF ITS 1976 CRUDE OIL PRODUCTION PLAN.

ON THE PETROCHEMICAL SIDE, THE PEKING PETROCHEMICAL COMPLEX, ONE OF THE COUNTRY'S LARGEST, ANNOUNCED ON DEC 26 THAT ALL ITS VARIOUS PRODUCTS FULFILLED THE YEAR'S PLANS WITH GROSS VALUE OF INDUSTRIAL OUTPUT UP 12 PERCENT OVER 1975. THE PRC-OWNED HONG KONG NEWSPAPER TA KUNG PAO CLAIMED ON DEC 15 THAT THERE ARE NOW 16,000 LIMITED OFFICIAL USE

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WORKERS ENGAGED IN CONSTRUCTION OF THE MASSIVE CANTON PETROCHEMICAL COMPLEX WITH WORK PROGRESSING RAPIDLY.

COMMENT: BASED ON USG ESTIMATES OF 74.5 MMT OF CRUDE FOR 1975, THE PRC INCREASED ITS 1976 OUTPUT TO 84.2 MMT. USING THE USG ESTIMATED 1965 PRODUCTION OF 11 MMT AS A BASE, 1976 PRODUCTION WOULD BE 83.6 MMT. TACHING, CHINA'S LARGEST OILFIELD WITH AN ESTIMATED 35 MMT IN 1975 WOULD HAVE INCREASED PRODUCTION IN 1976 TO 38 MMT IN 1976.

OBVIOUSLY, THE OTHER OILFIELDS MUST HAVE PRODUCED AT A RATE APPROXIMATELY DOUBLE TACHIN'S FOR THE PRC TO HAVE ACHIEVED AN OVERALL INCREASE OF 13 PERCENT OR ELSE NEW OILFIELDS MUST HAVE COME INTO PLAY ON A RATHER LARGE SCALE. THE OMISSION OF TAKANG FROM THE JAN 5 REPORT SUPPORTS THE IMPRESSION THAT IT IS IN SOME WAY RELATED TO THE NEW "NORTH CHINA OILFIELD," IF NOT IN FACT NOW CONSIDERED AN ADMINISTRATIVE PART OF THE NEW FIELD. UNCLASSIFIED

#### 4. 1976 INDUSTRIAL OUTPUT UNIMPRESSIVE

FOLLOWING THE DEC PREPARATORY MEETING HELD IN PEKING FOR THE 1977 LEARN FROM TACHING CONFERENCE, A NUMBER OF PROVINCES HAVE ANNOUNCED PLANS TO HOLD PROVINCIAL TACHING CONFERENCES PRIOR TO THE NATIONAL ONE. PROVINCIAL BROADCASTS TO THAT EFFECT HAVE PAINTED A FAIRLY SOBER PICTURE OF INDUSTRIAL PERFORMANCE IN 1976. NONE OF THE BROADCASTS CLAIMED THAT PROVINCIAL OR MUNICIPAL INDUSTRIAL OUTPUT HAD MET THE 1976 PLAN. IN FACT, OF THE EIGHT PROVINCIAL UNITS REPORTING SO FAR--PEKING, SHANGHAI, SZECHWAN, KWANGSI, INNER MONGOLIA, KIANGSI, KIRIN AND SHANSI--ONLY PEKING HAS CLAIMED ANY INCREASE FOR TOTAL OUTPUT, SAYING ONLY THAT IT HIT AN ALL TIME HIGH IN 1976. IN A POSITIVE VEIN SHANSI, HOWEVER, CLAIMED THE PROVINCE'S COAL, TEXTILE, CHEMICAL, ELECTRIC POWER AND LIGHT INDUSTRIES PREFULFILLED THE 1976 QUOTAS. THE OTHER PROVINCIAL REPORTS CLAIMED ONLY THAT A LIMITED NUMBER LIMITED OFFICIAL USE

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OF PRODUCTS OR ENTERPRISES HAD MET OUTPUT PLANS OR ELSE MADE NO YEAR-END CLAIMS AT ALL.

COMMENT: ALTHOUGH IT IS STILL TOO EARLY FOR STATISTICAL COMPLETENESS, THE SCATTERED AND INCOMPLETE NATURE OF PROVINCIAL AND SECTORAL INDUSTRIAL REPORTS APPEARING SO FAR ARE IN LINE WITH HUA KUO-FENG'S FRANK ADMISSION IN HIS DEC 25 SPEECH THAT THE ECONOMY DID NOT ACHIEVE THE RESULTS IT SHOULD HAVE IN 1976. SIGNS OF LAGGING PERFORMANCE, STEMMING FROM POLITICAL UNREST AND THE JULY EARTHQUAKE, BECAME CLEARLY EVIDENT IN THE THIRD QUARTER.

MANY OF THE PROVINCIAL TACHING BROADCASTS CONTAIN AN IDENTICAL REFERENCE TO ENSURING THAT INDUSTRIAL OUTPUT IN THE 1ST QUARTER OF 1977 IS AT LEAST AS GOOD AS OR BETTER THAN 4TH QUARTER 1976, SUGGESTING AN ATTEMPT TO GENERATE MOMENTUM IN PREPARATION FOR THE NATIONAL CONFERENCE. SINCE IT WILL PROBABLY BE HELD IN APRIL 1977, IT WILL BE IN A POSITION TO ASSESS PROGRESS MADE SINCE THE OCTOBER LEADERSHIP SHAKEUP. THE NEW REGIME UNDOUBTEDLY WANTS TO BE ABLE TO POINT TO GLOWING RESULTS. IN THAT SENSE, THE TACHING CONFERENCES MAY CARRY IMPORTANT POLITICAL OVERTONES AS WELL AS BEING A VEHICLE FOR SETTING THE COURSE OF CHINA'S NATIONAL INDUSTRIAL DEVELOPMENT. LOU

#### 5. ELECTRICITY OUTPUT INCREASES IN 1976

NCNA ANNOUNCED ON DEC 31 THAT CHINA "PRODUCED MORE ELECTRICITY IN 1976 THAN 1975" WITH 50 PLANTS FULFILLING THEIR QUOTAS BY THE END OF NOV. NO PERCENTAGE INCREASE WAS CLAIMED. PREVIOUSLY, THE PRC-CONTROLLED HONG KONG MAGAZINE ECONOMIC REPORTER, CLAIMED 1976 OVER 1975 INCREASE

FIGURES OF 17.6 PERCENT AND 11 PERCENT FOR THE FIRST THREE MONTHS AND SIX MONTHS, RESPECTIVELY. SHANSI IS THE ONLY PROVINCE TO HAVE CLAIMED 1976 ELECTRICITY PRODUCTION QUOTA FULFILLMENT (RADIO TAIYUAN 12/29/76).

THE PEKING-TIENTSIN-TANGSHAN POWER GRID, DAMAGED BY THE JULY 28 EARTHQUAKE, IS REPORTED AS BACK IN OPERATION WITH LIMITED OFFICIAL USE

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OUTPUT AT PRE-QUAKE LEVELS.

CONTINUING WITH A THEME SEEN IN MANY RECENT BROADCASTS, THE EXPANSION OF THE POWER INDUSTRY WAS ATTRIBUTED TO PAYING GREATER ATTENTION TO THE INITIATIVE OF BOTH CENTRAL AND LOCAL AUTHORITIES--WITH EMPHASIS ON THE CENTRAL.

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CINCPAC FOR POLAD

COMMENT: TAKING TINTO CONSIDERATION NCNA'S LACKLUSTER CLAIM, THE ABSENCE OF PROVINCIAL CLAIMS AND INCREASE FIGURES, THE LOSS OF GENERATING CAPACITY DUE TO THE TANGSHAN EARTHQUAKE, AND THE POLITICAL UNREST DURING THE YEAR, ELECTRICITY PRODUCTION PROBABLY DID NOT MAINTAIN THE MID-YEAR RATE OF INCREASE OF 11 PERCENT.

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6. "GEOGRAPHIC KNOWLEDGE" SURVEYS HIGHWAYS

THE OCT 1976 ISSUE OF "GEOGRAPHIC KNOWLEDGE" (TI LI CHIH SHIH) CARRIED A LENGTHY ARTICLE OUTLINING CHINESE HIGHWAY DEVELOPMENT THROUGH 1975. THE ARTICLE STATED: IN 1975 MILEAGE OF ROADS IN USE WAS MORE THAN 10 TIMES THAT BEFORE LIBERATION. OVER 270,000 KMS WERE BUILT BETWEEN 1966 AND 1975. MILEAGE OF ASPHALT ROADS INCREASED BY NEARLY 300 TIMES OVER THE EARLY PERIOD OF LIBERATION. IN THE DECADE SINCE 1965, OVER 4,000 ARCHED BRIDGES WITH AGGREGATE LENGTH OF 300,000 METERS WERE BUILT. EXCEPT FOR ISOLATED AREAS, ALL COUNTRIES ARE CONNECTED BY HIGHWAYS. MOTOR VEHICLES FOR CIVILIAN USE INCREASED BY OVER TWO TIMES BETWEEN THE BEGINNING OF THE GPCR AND 1976 AND BY 17 TIMES COMPARED WITH THE EARLY 1950'S. FREIGHT VOLUME CARRIED BY MOTOR VEHICLES INCREASED BY 86 PERCENT (PRESUMABLY FROM THE BEGINNING OF THE GPCR THROUGH 1975).

COMMENT: THE TOTAL MILEAGE FIGURE IS CONSISTENT WITH A PREVIOUS CLAIM BY RADIO PEKING (76 HK 10376) AND SUGGESTS THAT MILEAGE IN 1975 EXCEEDED 750,000 KMS. THE CURRENT USG ESTIMATE IS 840,000 KMS (ER 76-10540).

EXPANSION OF THE ASPHALT SURFACED ROADS SYSTEM SEEMS TO HAVE PROCEEDED ON SCHEDULE IN 197, WITH 14,000 KMS BUILT DURING THE FIRST 11 MONTHS (NCNA DEC 30). LOU

7. NO WAY TO RUN A RAILROAD

CHINA'S RAILWAYS PROBLEMS WERE DRAMATICALLY INDICATED BY THE PARTY CENTRAL'S DECISION, ANNOUNCED JAN 2, TO TURN MANAGEMENT OF THE LONG TROUBLED CHENGCHOU RAILWAY BUREAU OVER TO SENIOR PLA AND CCP OFFICIALS (HK 00078). IN ER 26 (76 HK 14850) WE NOTED A RADIO PEKING ANNOUNCEMENT THAT BY MID-DECEMBER ONLY ONE RAILWAY BUREAU, SIAN, HAD PREFULFILLED 1976 TRANSPORT PLANS WHILE



SEVEN OTHERS WERE "NEARING" FULFILLMENT. TO DATE  
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ONLY FIVE MORE BUREAUS--PEKING, SHANGHAI, CANTON, CHICHIHAERH  
AND HARBIN--HAVE ANNOUNCED FULFILLMENT OF 1976  
PLANS.

COMMENT: CHINA HAS 20 RAILWAY BUREAUS, 15 OF  
WHICH FULFILLED OR PREFULFILLED THE PLAN IN 1975.  
ALTHOUGH TWO OF THE MOST IMPORTANT BUREAUS--PEKING  
AND SHANGHAI--CLAIMED PREFULFILLMENT, ACHIEVEMENTS  
IN 1976 APPEAR BELOW THOSE OF 1975. MORE BUREAUS  
MAY REPORT PLAN FULFILLMENT IN THE DAYS AHEAD, BUT  
IT NOW SEEMS ALMOST CERTAIN THAT 1976 WAS A POOR YEAR FOR THE  
RAILWAYS. LOU

8. CCPIT STATEMENT ON TRADE AND INTERNATIONAL FINANCE  
FOLLOWING THE LEAD OF OTHER TOP PRC ECONOMIC AGENCIES,  
THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL  
TRADE'S CRITICISM GROUP PUBLICLY DENOUNCED THE GANG  
OF FOUR AND PLEDGED ITS ALLEGIANCE TO THE HUA MODERNIZA-  
TION AND TRADE PROGRAM IN A JAN 2 ARTICLE IN THE PEOPLE'S  
DAILY. THE ARTICLE IS ONE OF THE MOST COMPREHENSIVE  
STATEMENTS YET ON CHINA'S FOREIGN TRADE POLICY, THOUGH IT INCLUDES  
ONLY A FEW NEW REMARKS. AMONG THE LATTER IS THE  
STATEMENT THAT "WE WILL DEFINITELY NOT PERMIT FOREIGN  
CAPITAL TO DEVELOP DOMESTIC NATURAL RESOURCES, DEFINITELY  
NOT ENGAGE IN JOINT VENTURES WITH FOREIGNERS AND  
DEFINITELY NOT ACCEPT FOREIGN LOANS." LIKE OTHER  
AGENCIES, CCPIT CRITICIZED THE GANG FOR OPPOSING CRUDE  
OIL EXPORTS. SIGNIFICANTLY, THE ARTICLE CRITICIZES  
THE GANG FOR OPPOSING ADJUSTING EXPORT PRICES IN ACCORDANCE  
WITH INTERNATIONAL PRICES. FINALLY, AND SOMEWHAT  
DEFENSIVELY, THE ARTICLE STATES THAT "TOWARD TRADE WE TAKE  
THE ATTITUDE THAT ECONOMICS SHOULD BE OBEDIENT TO POLITICS  
AND THAT TRADE SHOULD BE LINKED WITH FOREIGN POLICY . . ."

COMMENT: AS CHINA'S MAIN TRADE PROMOTION AGENCY, THE  
CCPIT'S VIEWS UNDOUBTEDLY REFLECT THOSE OF THE FOREIGN  
TRADE MINISTRY. UNCLASSIFIED

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9. PRC FOREIGN AID IN 1976: CHARITY BEGINS AT HOME  
PRC FOREIGN AID COMMITMENTS IN 1976 WERE DOWN FROM  
1975. ECONOMIC AND TECHNICAL COOPERATION AGREEMENTS WERE  
SIGNED WITH SEVEN COUNTRIES, COMPARED WITH 11 IN 1975.  
LAST YEAR'S RECIPIENTS COMPRISED TWO EAST ASIAN

COUNTRIES (LAOS, CAMBODIA), THREE AFRICAN COUNTRIES (COMOROS, BOTSWANA, AND CENTRAL AFRICAN REPUBLIC), WESTERN SAMOA AND THE YEMEN ARAB REPUBLIC. RECIPIENTS IN 1975 INCLUDED FIVE AFRICAN STATES (BAMBIA, MOZAMBIQUE, GUINEA-BISSAU, MALAGASY AND SAO TOME AND PRINCIPE), THREE IN ASIA (RSVN, CAMBODIA AND DRV), ONE IN LATIN AMERICA (GUYANA), ONE IN THE MIDDLE EAST (IRAQ), AND ONE IN EASTER EUROPE (ALBANIA).

COMMENT: MOST OF THE NEW AGREEMENTS INVOLVE NEW CREDIT OFFERS FROM THE PRC. THE DECLINE IN NEW APGREEMENTS LAST YEAR SUGGESTS AT MINIMUM THAT ECONOMIC PROBLEMS AT HOME COULD HAVE REDUCED PEKING'S INTEREST IN AID DIPLOMACY. ACTUALLY, NEW COMMITMENTS IN 1976 WERE MADE TO ONLY SIX COUNTRIES; THE AGREEMENT WITH CAMBODIA MERELY REPLACED THE 1975 LONG-TERM AGREEMENT, PROBABLY REVISING DOWNWARD MILITARY AID AND PERHAPS ECONOMIC AID AS WELL. LOU

10. RECENT REPORTS ON ECONOMIC TOPICS

HONG KONG 14866 - PRC GRAIN HARVEST AT RECORD 300-MILLION TON

LEVEL: PRELIMINARY ASSESSMENT

HONG KONG 15054 - PEKING CLAIMS RECORD GRAIN HARVEST IN 1976

HONG KONG 14927 - THE SECOND NATIONAL CONFERENCE ON LEARNING

FROM TACHAI: POLITICAL AND ECONOMIC

IMPLICATIONS

HONG KONG 14936 - CHAIRMAN HUA KUO-FENG OUTLINES TASKS FOR 1977

HONG KONG 00079 - EEC IMPORT QUOTAS FOR PRC

HONG KONG 00184 - SINO-JAPANESE TRADE CONFRONTATION LOOMING?

HONG KONG 00185 - CAPITAL CONSTRUCTION IN 1976 SHOWS LIMITED

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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Secure:** OPEN  
**Status:** NATIVE  
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